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THE ROLE OF CASH *WAQF* IN POVERTY ALLEVIATION: CASE OF MALAYSIA

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ABSTRACT

Poverty alleviation has always been one of the biggest challenges faced by the Malaysian government. Since the establishment of the New Economic Policy in the 1970s, the battle faced by the Malaysian government against poverty continues up till today. Although the current government policies used for eradicating poverty have lead to favourable results, the government, private sector and NGOs are always in the lookout for other new strategies that could be used as one of the tools to alleviate poverty. The emergence of cash *waqf* in Malaysia, gives a different light to the formulation of strategies that can be used in improving the quality of lives of the ones burdened by poverty.

The rapid development of cash *waqf* in Malaysia has reached great lengths in these recent years. The increasing awareness among the general public is one of the contributing factors to this phenomenon. The religious state department and *waqf* centers in Malaysia are also active in developing more contemporary *waqf* instruments that are beneficial to the general public. This

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increases the prospects of cash *waqf* to play a more prominent role in poverty alleviating initiatives in Malaysia.

In the light if this issue, the objective of this paper is to look into the potential of integrating cash *waqf* with the poverty alleviation initiatives in Malaysia. Besides that, this paper also attempts to analyze other forms of cash *waqf* utilization, beyond religious purposes.

Keywords: Poverty alleviation, cash *waqf*, Malaysia, tools, strategies

INTRODUCTION

Historically, there are apparent evidences that *waqf* had been long used as one of the prominent tools for alleviating poverty among the society. Apart from religious purposes as building mosque, *waqf* has played a significant role in the socio economic area. During the Ottomon empire, *waqf* was the main contributor to the financing of education, health and welfare of the general public.[1] In another incident, Prophet S.A.W called for the purchase of a well and turned it into *waqf* to as a solution to a water shortage issue faced by the public.[2]

However, over the years, the role of *waqf* in the socio economic area has reduced significantly. The majority of the general public are of the opinion that *waqf* should be used only for religious purposes for example the building of mosques and religious schools. This is quite unfortunate as *waqf* has great potential to be one of the main contributors to the development of the socio economic of the society, especially in the poverty alleviation area.

In the recent years, cash *waqf* has increasingly gaining awareness in Malaysia. Due to its flexibility in minimum amount of contribution, cash *waqf* has opened the doors to more Muslims with no fixed assets to also make their own *waqf* contribution for the betterment of the public. The paper will be divided into 4 parts. The first part will be the introduction to the paper. The second part will be a literature review on poverty eradication policy and cash *waqf*. The third part of the paper will be on the recommendations and suggestions for an effective implementation of cash *waqf* as an instrument for poverty alleviation and the final section of the paper will be on the paper's conclusion.

[1] Bello, Doragawa Ahmad. "Poverty Alleviation Through Zakah and Waqf Institutions:A Case for the Muslim Ummah in Ghana." *Munich Personal RePec Archive Paper*. Nigeria: Ahmadu Bello University, June 10, 2010.,p.8-9

[2] Bello, Doragawa Ahmad. "Poverty Alleviation Through Zakah and Waqf Institutions:A Case for the Muslim Ummah in Ghana." *Munich Personal RePec Archive Paper*. Nigeria: Ahmadu Bello University, June 10, 2010.,p.11

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THE CONCEPT OF *WAQF* AND CASH *WAQF*

The term "*waqf*" is derived from the word "*waqafa*" which means to hold still and last long.[3] In conjunction to this, *waqf* is referring to the act of discharging one's ownership of an asset and transferring the ownership to the general public. *Waqf* can be further categorized into two different usage, which are land *waqf* and cash *waqf*.

Cash *waqf* can be defined as "the dedication of some money from one's possessions and establishing a *Waqf* based on that amount and offering it to the benefit of people generally or allocating it to make use of them by some segments of the community particularly". In addition, Nurrachmi explains that the endowed cash in the institution of cash *waqf*, can be either invested or loaned out to earn income and target projects that would be beneficial to the general public, will be financed with this earned income.

Ahmed in his book mentioned that *Waqf* is" a voluntary act of charity" and is under the same category as *sadaqah* and *infaq*. He further defines the word *waqf* into its linguistic and technical meaning. Linguistically, "*waqf*" means to stand still, hold still and not let go". The technical meaning of *waqf* is to hold from consumption or sale and not to let go.[4]

From the perspective of raising funds for particular projects, cash *waqf* can be defined as a type of certificate with different denominations that are used to raise money for planned projects.[5]

Yumna and Clarke, give the definition of *waqf* from 2 perspectives, linguistically and from the Shariah perspectives. Linguistically, the word *waqf* means to stop, to contain or to preserve. Looking from the perspective of Shariah, the term "*waqf*" is referring to an act of holding certain physical assets and preserving it to the long term benefit of religious services.[6]

Kahf has a slightly different take on the definition of *waqf* where he gave the definition of the term in two forms, from Shariah and economic perspective. According to him, from the Shariah perspective, the term *waqf* can be defined as holding "a Maal (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective, representing righteousness". On the other hand, he defined the *waqf* from an economic standpoint by saying that *waqf* is an act of diverting funds and also other resources, from consumption and

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[3] Rininta Nurachmi. "The Implication of Cash Waqf in the Society." *Munich Personal RePec Archive Paper*, 2013.,p.4

[4] Ahmed, Habib. *The Role of Zakah and Awqaf in Property Alleviation.* Jeddah: Islamic Development Bank, 2004.,p.28

[5] Rininta Nurachmi. "The Implication of Cash Waqf in the Society." *Munich Personal RePec Archive Paper*, 2013.,p.4

[6] Aimatul Yumna and Matthew Clarke. "Integrating Zakat and Islamic Charities with Microeconomic Initiative in the Purpose of Poverty Alleviation in Indonesia." *International Conference on Islamic Economics and Finance.* Qatar.,p.5

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investing them in productive assets that promise either ususfruct or revenues for future consumption by individuals or group of individuals.[7]

Azliza, Rose and Zurina gave the literal meaning to *waqf* as detention, to prevent or to restrain. On the technical meaning of *waqf*, they defined the term "*waqf*" as the dedication of property either in express terms or by implication for any charitable or religious object or to secure any benefits to human beings.[8]

THE BACKGROUND OF *WAQF* AND CASH *WAQF*

The institution of *waqf* has long been one of the major driving factors in the socio-economic development of the Islamic world. Although Islam is the first religion to develop *waqf*'s legal and regulated framework, historical evidence proves that, the concept of *waqf* was not created by Islamic presence. Imam Khomeini mentioned, "*Waqf* was common in other nations, even if it probably have been common on impious nations". [9]In addition to that, Dr Abouzohre stated that pre-emersion of Islam, the institution of *waqf* was already present but was taken under different names.[10]

The first *waqf* to be recorded in the history of Islamic world is the purchase of land and construction of the Quba' Mosque by the Prophet S.A.W. [11] Though the first *waqf* in Islamic history is created for religious purposes, it is important to note that the objectives of *waqf* are not restricted to only religious purposes. Among the first waqfs created by the companions of the Prophet S.A.W are the waqfs by Umar Al-Khattab R.A(d.644) and Uthman bin Affan R.A.(d.656). Umar al-Khattab bought a land in Khaybar after being advised by the Prophet S.A.W. He then made it as a *sadaqah* that could not be sold or given as a gift to other parties. In addition to that, the fruits of the cultivation process on the land should be distributed to the poor

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[7] Kahf, Monzer. "Financing the Development of Awqaf Property." *Seminar on Development of Awqaf.* Kuala Lumpur: Islamic Research & Training Institute, 1992.,p.1

[8] Azliza Azrah Mohd Zakaria,Rose Ruziana Abd Samad and Assoc.Prof.Dr.Zurina Shafii."Venture Philantrophy-Waqf Practices and Its Implementation:Scenario in Malaysia".*International Journal of Business, Economics and Law.*vol 1,(2012).,p.109

[9] Khomeini Mousavi.*Roohollăh.Ketab'u al-baye'*.Qom.Matbouăti Esmăeilian Press Institution quoted from Khademolhoseini, Majid. "Cash Waqf a New Financial Instrument for Financing Issues:An Analysis of Structure and Islamic Justification of its Commercialization." Tehran: Imam Sadiq University.,p.2

[10] Hăeri Yazdi and Dr Mohammad.*Endowment In Islamic Jurisprudence And Its role in Efflorescence of Islamic Economic.*1th Edition.Mashhad.Àstăn Qodse Razavi Press Institution, 2002.quoted from Khademolhoseini, Majid. "Cash Waqf a New Financial Instrument for Financing Issues:An Analysis of Structure and Islamic Justification of its Commercialization." Tehran: Imam Sadiq University.,p.2

[11] Bello, Doragawa Ahmad. "Poverty Alleviation Through Zakah and Waqf Institutions:A Case for the Muslim Ummah in Ghana." *Munich Personal RePec Archive Paper.* Nigeria: Ahmadu Bello University, June 10, 2010.,p.10

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and kinship, used to liberate slaves and provide for the guests and the wayfarer. However, some reasonable amount of the produce (fruits) can be taken by the custodian of the farm.[12]

Another significant *waqf* in Islamic history is the *waqf* for drinking water that was created by Uthman bin Affan R.A. It was reported that the Prophet S.A.W called upon Muslims to buy the well and render the water free for the public upon realizing that water was sold at a high price. Uthman bin Affan R.A answered the calling of the Prophet S.A.W's by buying the well and rendering the water free for everyone's disposal.

The waqfs by Umar al-Khattab R.A and Uthman bin Affan R.A are significant in the Islamic history because these waqfs are not religious but civil *waqf*. This is the starting point of the role of *waqf* in the development of socio-economic sectors. During the Ottoman Empire, *waqf* was seen to take an even prominent role in the socio-economic area when the financing of health, education and welfare was financed exclusively by the *waqf* system. *Waqf* investment in the social sector has resulted to favourable results in transforming society and empowering the poor.[13] It is evident that one key element of an effective poverty alleviation strategy is to empower the poor with education among others and improve their productive capacity.

Besides the land and properties type of *waqf*, cash *waqf* also played an important role during the times of the Prophet S.A.W, his companions and during the Ottoman Empire (1299-1922). It was reported that during the time of the Prophet S.A.W, his companions utilized the institution of *waqf* as a medium to donate their farmland for development purposes. The concept of cash *waqf* is often related to the Ottoman Empire. In the 15th until 16th century, the Ottoman court gave their approval of cash endowments. Sub sequential to that, cash endowments become very famous throughout the European part of the Empire. It is also during the Ottoman Empire that cash *waqf* was seen to be channelled to microfinance initiatives. During that time, some generous resource surplus people establish charitable cash endowments which were lent to various borrowers. [14]The ownership of the borrowers' houses will be transferred to the lenders as collateral. The borrowers are still allowed to stay in their houses; however they are required to pay a certain amount to the cash endowment as rent. Finally, when the capital has been returned, the ownership of the houses will be reverted to the borrowers. The rent collected will be distributed into 3 parts which are administrative cost, charitable purposes and will be added to original *waqf* to protect the real value from inflation.[15]

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[12] Habib Ahmed, *The Role of Zakah and Awqaf in Poverty Alleviation.*Islamic Development Bank.2004.,p.32
[13] Habib Ahmed, ibid.
[14]Haslindar Ibrahim, Eliza Nor and Joriah Muhammad. "Cash Waqf and its Development in the Northern Region of Malaysia." *International Conference on Business and Economic Research Proceeding*. Penang, 2013.,p.3
[15] Haslindar Ibrahim, ibid.

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In more recent times, cash *waqf* in Bangladesh was promoted through Social Investment Bank Limited (SIBL). The bank produced cash *waqf* certificates to collect funds among the creator of *waqf* (waqif) and channel the gains of managed funds to the deserving beneficiaries. This initiative by SIBL is the first of its kind in banking history. The cash *waqf* programme by SIBL has enable Muslims in Bangladesh to invest in educational, religious and other social development.[16]

EFFECTIVENESS OF CASH *WAQF*

Though cash *waqf* is not as known or as popular as land and properties type of *waqf*, it is slowly gaining attention from the general public. Among the reason of the recent comeback of cash *waqf* is due to its flexibility. The flexibility of cash *waqf* allows for distribution of *waqf*'s potential benefit to the poor regardless of their geographical location.[17]

Cash *waqf* has been identified as one of prospectively effective tools to be used in poverty alleviating strategies. Poverty alleviating programmes requires a substantial amount of funds and the government cannot afford to be the sole source of financing. This is where the cash endowment can play its role. The *mutawalli* or cash *waqf* funds trustees will collect the funds from *waqif* (*waqf* founder) and invest the money in the real sector or in any Islamic based investment funds. The gains from this investment can be used to finance initiatives that would benefit the general public, including poverty alleviation programmes.[18]

More individuals are voicing out their opinions on the relevancy of cash *waqf* especially in the current times. The characteristics of cash *waqf* are seen to be more "friendly" to the general public especially to the ones who do not posses any asset such as land or building. 4 benefits of the implementation of cash *waqf* are highlighted, which are;

a) Cash *waqf* is easy in nature and only requires small amount of wealth, which allows participation of larger group of individuals
b) Cash *waqf* is able to generate more funds that could be used for development of assets, for example, undeveloped *waqf* lands
c) Cash *waqf* could assists education institutions with cash flow problems by creating a backup fund for them

[16] Ibid.
[17] Ibid., p.2
[18] Ibid.

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d) Cash *waqf* is able to reduce the dependency of Islamic institutions on the government which at the same time, empowering them to be more independent.[19]

From the perspective of the education sector, cash *waqf* has evidently proven to play and effective role in helping Islamic education institutions. A shining example of the use of cash *waqf* in the education sector is the Al-Azhar University (established in October 975 AD) in Egypt. Al-Azhar University was built on cash *waqf* funds.[20]

Next, cash *waqf* has been identified to be potentially effective in establishing income generating activities which are suitable to be operated by handicapped people, single mothers, illiterate and unskilled workers. The income generating activities will significantly benefit these individuals who might find difficulty in securing for jobs.[21]

However, in ensuring the effectiveness of the use of cash *waqf* in establishing these income generating projects, it is an important pre requisite that an organized framework should be prepared. Sadeq discussed on the mechanism of *waqf* financing for planned projects. He identified 3 steps in the mechanism. First, is the *Waqf* Administrative Body prepares the projects' profiles and issue *waqf* certificates in different denominations and puts these certificates on sale in the market. Second, interested individuals and institutions will purchase the *waqf* certificates. Finally, the *waqf* proceeds will be used to establish the planned projects.[22]

Cash *waqf* can also assists in the development of existing *waqf* properties. A significant amount of *waqf* properties are left idle and unutilized due to lack of funds. Cash waqf can be recreated for the purpose of financing the development of waqf properties through mediums such as *mudharabah and musharakah.*

PROBLEMS IN *WAQF* MANAGEMENT

One of the weaknesses of *waqf* is the voluntary nature of the *waqf* itself. Due to its voluntary nature, the specific agenda of the cash *waqf* is usually not completed in the time that was pre determined.[23]

Besides that, one of the major issues in the management of *waqf* is unqualified *mutawalli* or *waqf* managers. The incompetency of *waqf* managers can result to a number of other problems

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[19] Ibid., p.4
[20] Ibid.
[21] Rininta Nurachmi. "The Implication of Cash Waqf in the Society." *Munich Personal RePec Archive Paper*, 2013.,p.5
[22] M. Sadeq and AbulHasan ."Waqf, perpetual charity and poverty alleviation". *International Journal of Social Economics* (2002):.quoted by Rininta Nurachmi. "The Implication of Cash Waqf in the Society." *Munich Personal RePec Archive Paper*, 2013.,p.5
[23] Rininta Nurachmi. "The Implication of Cash Waqf in the Society." *Munich Personal RePec Archive Paper*, 2013.,p.3

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such as *waqf* assets to be left idle, corruption in cash *waqf* funds, and no other funds to finance the operational cost of planned projects.[24]In worse cases, non-Muslims are appointed as *mutawalli*. Due to the absence of Islamic fundamental beliefs and ideologies, the non-Muslims *mutawalli* are not able to carry out their assigned role as effective as they should.[25]

Another problem in managing cash *waqf* that was identified is that the *waqf* institution acts in capital distribution and not capital accumulation. The institution lends money to the borrowers which are mostly small consumers. This process almost mirrors the loan services provided by conventional banks and is dangerously close to *riba*.[26]

In the case of Malaysia, 3 critical issues have been identified as the preliminary issues that act as obstacles in proper implementation of *waqf* in economic planning in Malaysia. The 3 issues are "the clarification on how to develop the *waqf* according to the Islamic scholar's opinion, legislation obstacles and the problem of *Baitul Mal*'s administration that is inefficient and unsystematic."[27]

In the case of inefficiency of the *Baitul Mal'*s management, lack of human resources has been identified as one of the major contributing factor. The human resource problem is very much related to the unattractive unemployment scheme and policy adopted by the state and federal territory. As a result to that, *Baitulmal* is not able to attract the professionals that are needed for their organization.[28]

Next, the discussion of legal framework comes in. According to the Constitutional Law in Malaysia, all Islamic affairs which includes all issues regarding *waqf*, are under the authority of the state. This serves as a concern as this results to a number of different set of rules across the states in Malaysia. Legal issues are the biggest problem faced by *waqf* managers in Malaysia. In addition to the problem of different set of rules available across the states in the country, the available laws are also not comprehensive as only the managerial aspects and the brief procedure for making *waqf* are covered. One of the major obstacles faced in Malaysia's *waqf* management is that, according to most state enactments, the state's Islamic Council acts as the trustee of the *waqf* property and that hereby must obey the condition that has been put forward by the donor. This lead to the the inflexibility faced by the state's Islamic Council in managing the *waqf* property.

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[24] Rininta Nurachmi. Ibid., p.6
[25] Md Shahedur Rahman Chowdhury,Mohd Fahmi bin Ghazali and Mohd Faisol Ibrahim,"Economics of Cash Waqf Management in Malaysia:A Proposed Cash Waqf Model for Practitioners and Future Researchers".*African Journal of Business Management*,201.,p.12159
[26] Rininta Nurachmi. Ibid., p.6
[27] Hajah Mustafa Mohd Hanefah, Abdullaah Jalil,Asharaf Mohd Ramli,Hisham Sabri,Nnorhaziah Nawai and Syahidawati Shahwan. "Financing the Development of Waqf Property:The Experience of Malaysia and Singapore." Nilai: Universiti Sains Islam Malaysia.,p.10
[28] Hajah Mustafa. ibid., p.12

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Therefore, it is important to also educate the public on the advantages of making general *waqf* instead of specific *waqf*.[29]

Abdullah mentioned that, there are significant numbers of *waqf* assets in Malaysia that are left unutilized due to factors such as:

a) Properties given out orally without proper documentation and registration
b) Insufficient *waqf* revenues to cover operational cost of the *waqf* asset
c) The unproductive nature and the inability to self generate income of the waqf assets[30]

Another alarming issue regarding *waqf* management in Malaysia is the lack of survey of existing *waqf*. JAWHAR has taken initiatives to identify and track the number of *waqf* in Malaysia. However, since there has not been a proper survey, proper monitoring and consolidation for the sustainable development of these *waqf* properties might not be achieved.[31]

Another issue that is highlighted in regards to the management of waqf in Malaysia is the presence of political linkages in appointing the authorities that would be in charge of waqf management. In some cases, the appointed institutions are incompetent to manage the institution of waqf.[32]

In order for an efficient management of *waqf* institutions in Malaysia, it is essential that all of the issues mentioned in this section are taken care of by the relevant authorities.

TYPES OF POVERTY

Poverty is have been defined through several perspectives universally. Generally, poverty can be defined into two types which are relative and absolute poverty. UNESCO[33] gave the definition of absolute poverty as a measure of poverty in relation to the amount of money necessary to meet basic needs such as food and shelter. In addition to that, UNESCO defined relative poverty as poverty in relation to the economic status of the other individuals in the society.[34]

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[29]Hajah Mustafa. ibid., p.13

[30] Md Shahedur Rahman Chowdhury,Mohd Fahmi bin Ghazali and Mohd Faisol Ibrahim,"Economics of Cash Waqf Management in Malaysia:A Proposed Cash Waqf Model for Practitioners and Future Researchers".*African Journal of Business Management*,201.,p.12159

[31] Umar A. Oseni "Sharīʻah Court-annexed ADR: The Need for Effective Dispute Management in Waqf, Hibah and Wasiyyah Cases in Malaysia." *Annual Conference of the Shariah Legal Officers of Malaysia.* Kuala Lumpur.,p.8

[32] Yusuf Jelili Amuda, Nor Azizan Che Embi. "Alleviation of Poverty among OIC Countries through Sadaqat, Cash Waqf and Public Funding." *International Journal of Trade, Economics and Finance*, 2013: 403-408.,p.405

[33] United Nations Educational, Scientific and Cultural Organization

[34] Social and Human Sciences." *UNESCO.* http://www.unesco.org/new/en/social-and-human-sciences/themes/international-migration/glossary/poverty/ (accessed December 2, 2013)

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Dogarawa defined absolute poverty as a situation where people are barely surviving, where the next meal is a matter of life and death. He continued by giving the definition of relative poverty as a situation where there is a lack of income necessary to satisfy essential non-food needs such as clothing and shelter. Dogarawa further explained that relative poverty will continue to exist for as long as there is inequality in income and wealth distribution. [35]

POVERTY ALLEVIATION POLICIES IN MALAYSIA

One unique trait of Malaysia is the Malaysian society is made of different ethnicities and religions. The three main races in Malaysia are the Malays, Chinese and Indians. During the early years of independence, each ethnic were segregated in terms of geographical area and economic functions. The Malays were found in the north eastern of Malaysia such as in Terengganu, Kedah, Kelantan and Perlis. The Chinese and Indians are majority located in the western states of Peninsular Malaysia such as Selangor, Negeri Sembilan, Perak and Pulau Pinang. The western states were relatively more developed compared to north eastern states of Malaysia.[36]

Besides that, the unique economic functions are another factor of segregation between these ethnic groups. The Malays are mostly involved in subsistence agriculture and fishing and lived in the rural areas. The Chinese conquered the modern and commerce sector of the economy while the Indians were the labourers in the rubber plantations.[37]

Due to the difference in geographical location and economic functions, there were very little communication and interaction between the Malays, Chinese and Indians. The differences and lack of communication between these 3 races resulted to prejudices and crisis of ethnic issues in almost all spheres of Malaysian life which is social, cultural, economic and political.[38]

During the late 1960s, one of the major social issues faced by the Malaysian government is the large income disparity between different races in the country. The issue was so severe that it caused the 13th May 1969 riot between the Malays and Chinese. [39]The government responded to the riot incident by the introduction of the New Economic Policy. New Economic Policy was first

[35] Bello, Doragawa Ahmad. "Poverty Alleviation Through Zakah and Waqf Institutions:A Case for the Muslim Ummah in Ghana." *Munich Personal RePec Archive Paper.* Nigeria: Ahmadu Bello University, June 10, 2010.,p.1
[36] Roslan, A.H. "Income Inequality,Poverty and Development Policy in Malaysia." Sintok: Universiti Utara Malaysia.,p.3
[37] Roslan, A.H. ibid., p.4
[38] Ibid., p.5

[39] Roslan, A.H. Ibid., p.11

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announced in 1970; however, it was implemented in 1971. The policy was formulated with 2 specific objectives which are;[40]

a) To eradicate poverty by raising income levels and increasing employments for all Malaysians regardless of ethnicity
b) To restructure the society in order to eliminate identification of race with economic function

The strategy used to eliminate poverty in the New Economic Policy comprises of 3 components which are:[41]

a) To improve the quality of life of the poor by improving the poor's accessibility to social services such as health and education
b) To increase the income and productivity of the poor by the expansion of their productive capital and efficient capital utilization by adopting modern techniques and the provision of better facilities such as irrigation, improved marketing, credit and financial assistance.
c) To increase employment opportunities. In order to achieve this increase in employment, training, education, financial and technical skills were provided in order to facilitate the transition of moving into the modern sector of the economy.

New Economic Policy has resulted to favourable results in eradication of poverty. As at 2012, the incidence of poverty in Malaysia is 1.7 compared to 49.3 in 1970. The identification of ethnicity based on their economic functions has also reduced significantly although there are still some sectors which are monopolized by a certain ethnic group.

Unfortunately, the staggering decrease of Malaysia's poverty incidence cannot be used as the only yardstick to determine the total elimination of poverty issue in the country. A new type of poverty that is rapidly becoming a nationwide issue is urban poverty.

Since the year 1960 till 2000, Malaysia's urban population had increase significantly from 30% to 60%.[42]The rapid increase of urbanization had resulted to problems such as overcrowding, change in the ecology of urban environments and uneven distribution of development benefits.[43]

[40] Ibid.
[41] Ibid., 12
[42] T.Y.Mok,C.Gan and A. Sanyal. "The Determinants of Urban Household Poverty in Malaysia".*Journal of Social Science,* no 3(2007)., p.190
[43] T.Y.Mok,C.Gan and A. Sanyal. "The Determinants of Urban Household Poverty in Malaysia".*Journal of Social Science,* no 3(2007).,p.190

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WAYS TO POVERTY ALLEVIATION POLICIES

The extent and degree of poverty varies from places to places, across the world. Different nations are bound to different culture and backgrounds, therefore, as every community is unique, several type of poverty alleviating policies were formulated to serve the needs of the community in concerned.[44]

4 important underlying elements have been identified as the set of pre-requisites of a successful poverty alleviation strategy and these elements are:[45]

a) Identify the poor and their characteristics
b) Understanding of the cause and factor that cause their poverty
c) Designing specific policies with the objective of improving the living conditions of the poor
d) Effective and cost efficient implementation of the policies and involvement of the relevant institutions should be able to complement the direction of policies

Generally, poverty alleviation policies can take 2 approaches, which are the direct and indirect approach.

Direct poverty alleviation policies use the strategy where short term consumption entitlements will be provided to the poor by redistributing income in favour of the poor. Examples of direct poverty alleviation policies are public provision for education, health, nutrition and housing.[46]

Apart from the direct policies, poverty alleviation strategies can also be applied based on an indirect approach. An indirect type of policy involves adopting policies that would provide compatible structure of incentives and promote efficiency in resource allocation. Unlike the direct type of policy where the aid is directed to the poor and the ones in need, indirect policy is target neutral. The effect of this type of policy may not necessarily benefit only the target group but also other parts of the community. Among examples of indirect poverty alleviation policies are ensuring a greater availability of land to the poor, creating productive employment opportunities and ensuring the accessibility of the poor to social services.[47]

Looking at the long term effect, the direct type of policy seem to be less effective in alleviating poverty, compared to the indirect policy. Khan mentioned in his paper several

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[44] Bello, Doragawa Ahmad. "Poverty Alleviation Through Zakah and Waqf Institutions:A Case for the Muslim Ummah in Ghana." *Munich Personal RePec Archive Paper.* Nigeria: Ahmadu Bello University, June 10, 2010:2
[45] M.Govinda Rao. "Poverty Alleviation under Fiscal Decentralization".,p.1
[46] Ibid., p.5

[47] Ibid., p.5

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disadvantages of direct poverty alleviation policies. The most significant factor that he had identified with regards of the ineffectiveness of direct poverty alleviation policy especially in the long run is that the main focus of direct type of policy is transfer payments and not the enhancement of the capabilities of the poor.[48]

However, Rao is of the opinion that an optimal policy design to alleviate poverty would involve a mix of approaches to accelerate the generation of income and redistribution of consumption. Therefore, the appropriate mix of direct and indirect policy would depend on the productivity of each type of policy, which would vary according to different nations.

POVERTY FROM THE ISLAMIC PERSPECTIVE

The issue of poverty is not an alien topic in the discussion in Islam. Contrary to popular beliefs, Muslims are also highly encouraged to strive for material wealth in this world. However, unlike the conventional economy's view of prioritizing one's self interest, Islam puts more focus on the public interest. Muslims should make decisions and conduct their actions in a manner that puts the interest of the public before their individual interest. Therefore, as much as it is important to for one to strive hard for the pleasures in this world and the hereafter, it is also important to ensure that the other members of the public are at the very least, able to meet their basic necessities and needs.

Islam is a practical religion and it required more than faith as Muslims are required to mirror the faith into their daily actions. One most important underlying element in the teachings of Islam is equality.

Prophet S.A.W mentioned that,

"You know that every Muslim is the brother of another Muslim. You are equal"

In addition to that, Qardhawi analyzed the position of the poor before Islam in ancient civilization of Egypt and Babylon. Based on his analysis, he concluded that, their poverty is the result of their inaccessibility to land and other productive activities. Therefore, in fulfilling their basic needs, the poor is often seen to "sell" themselves to the rich. This situation can also be related to the modern poverty that is seen in current times. [49]

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[48] Foyasal Khan. "Waqf:An Islamic Instrument of Poverty Alleviation-Bangladesh Perspective." *International Conference-The Tawhidi Espitomology:Zakat and Waqf Economy.* Bangi, 2001.,p.3

[49]Aimatul Yumna and Matthew Clarke. "Integrating Zakat and Islamic Charities with Microeconomic Initiative in the Purpose of Poverty Alleviation in Indonesia." *International Conference on Islamic Economics and Finance.* Qatar., p.3

Besides that, in the process of upholding equality in Islam, the focus should be put on resource distribution through channels of Islamic charities such as *zakah*, *sadaqah* and *waqf*.[50] Therefore, the equity or justice in the discussion of poverty alleviation, can be assumed to be the equity in opportunity of access to productive and income generating activities.

The concept of brotherhood is one of the underlying elements in the teachings of Islam. It is the responsibility of all Muslims to ensure that the wellbeing of their fellow Muslims is well taken care of. The Quran highlighted the issue of neglecting the poor. It is mentioned in the Quran that, the neglect of the poor relates to the neglect of religion.

"Have you observed him who denies religion? That is he who repels the orphan, urges not the feeding of the needy."[51]

Next, Leaman mentioned that "fighting for the poor is considered as fighting for Allah's cause and is equivalent to the act of praying and fasting". This statement proves how highly the act of empowering the poor is in the eye of Allah S.W.T.[52]

Although Islam highly encourages Muslims to lend a hand to the needy, Islam also stresses on the importance of hard work. This is proven by the Quranic verse below:

"Man will get nothing but what he strives for"[53]

RECOMMENDATION AND SUGGESTIONS

In the age where countries are more open in applying unorthodox strategies to combat poverty, cash *waqf* has been identified as one of the major tools that could solve the issue of poverty in Malaysia. Cash *waqf* is seen to be potentially effective in poverty alleviation as it could be channelled to initiatives that could increase the productiveness and capabilities of the poor and needy.

However, in order to ensure the participation of the general public, it is an important pre-requisite to educate them on the importance and potential role of cash *waqf* in socio economic development. The general view on *waqf* is that, it must be utilized for religious purposes and the *waqf* made must be in the form of asset.[54]The understanding of *waqf* among Malaysians is too narrow where they only link *waqf* to building of mosques and cemeteries.[55] The responsibility to circulate the relevant information on cash *waqf* lies on the shoulders of states' religious bodies and

[50] Ibid.
[51] Quran 107:1-3
[52] Aimatul Yumna Ibid., p.3
[53] Quran 53:39
[54] Amirul Faiz Osman,Sheila Nu Nu Htay and Mustafa Omar Muhammad. "Determinants of Cash Waqf Giving in Malaysia: Survey of Selected Works".,p.4
[55] Amirul Faiz Osman, ibid.

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waqf centres. For example, they can conduct talks on cash *waqf* and circulate pamphlets on the different ways of contributing cash *waqf*. It is with the active participation of the public that the development of cash *waqf* will flourish into an instrument that would bring change to the face of socio economic development.

Besides that, another important pre requisite that should be implemented in order to ensure the effectiveness of cash *waqf* as a tool for poverty eradication is to introduce a comprehensive and uniform legal framework for *waqf* affairs for the application of every state in Malaysia. As mentioned in the previous section of this paper, the irregularities and non-completeness of the current legal framework of *waqf* are causing management problems and resulted to many *waqf* not utilized to their full potential. As poverty alleviation, is a nationwide issue, the intervention by the federal government is essential, in order to ensure a smooth sailing application of cash *waqf* in poverty eradication.

Understanding the nature of cash *waqf*, several recommendations can be formulated in recreating cash *waqf* in improving the lives of poor and needy in Malaysia.

First, the cash *waqf* can be channelled to projects that can provide employment for poor. An example of this is Malaysia's first *waqf* hotel, Grand Puteri Hotel in Terengganu. [56]The hotel is built on cash *waqf* funds and it is able to create many employment opportunities. Besides that, the establishment of the hotel can also encourage the development of the tourism industry in the surrounding area. This may lead to more creation of income generating activities such as the handicraft industries.

Second, several states in Malaysia have started several *waqf* shares project. *Waqf* shares is a movable *waqf* that is established with liquid money to promote services to mankind In Johor, the proceeds from the *waqf* shares were used to purchase a building that they have now turned into a haemodialysis centre.[57]Besides that, in Selangor, the *waqf* shares are used to create funds that will be used to finance development and investment projects. In the context of poverty alleviation, these *waqf* shares can be used to encourage their entrepreneurial abilities. The proceeds from the *waqf* shares can be used to build a marketplace for those who are interested in starting up a business. Besides that, the proceeds from the *waqf* shares can also be used to provide financing to the poor and needy. As opposed to taking loans and getting financing from the bank, getting financing through this *waqf* shares is much easier as the issue of collateral is no longer in existence.

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[56] "Hotel wakaf beroperasi 15 April", *Utusan Malaysia*, April 8,2013. Accessed December 3,2013, http://www.utusan.com.my/utusan/Timur/20130408/wt_02/Hotel-wakaf-beroperasi-15-April

[57]"Konsep Wakaf Tunai ", E-Wakaf Johor, accessed December 3,2013, http://www.e-wakafjohor.gov.my/index.php?option=news&idnews=4

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Third, the emergence crowd funding can provide a new perspective of cash *waqf* in Malaysia. Crowd funding, also known as micro patronage is the concept where individuals raise external finance from a large audience, where each individual provide a small amount of financing. In Malaysia, there is a website that is dedicated to this idea called pitchIN[58], where individuals can put up their ideas and raise the necessary financing. Crowd funding is quite similar to cash *waqf* in a sense that both are involving pooling funds from different people into the same pool. As most crowd funding efforts are done online, the same idea can be applied to cash *waqf*. In the emergence of today's technology, the Internet should be integrated with cash *waqf* as it has been proven to be one of the most effective medium in reaching to the general public. In the context of recreation of cash *waqf* for empowering widows, the *waqf* centre can launch a website, where project like for example, a central kitchen for widows in the Food and Beverages business, will be advertised. Details of this project will be posted in the website along with the amount of financing that needs to be raised. The next step is the interested individuals can make their contribution directly from the website itself. This concept is indeed a more effective and efficient way in handling cash *waqf*.

In addition, cash *waqf* can also be used to utilize the many abandoned *waqf* available in Malaysia. Among the reasons that the *waqf* assets are left idle is that there are no funds available to utilize the *waqf* assets to its full potential.

Another form of utilization of cash waqf is linking the institution of cash *waqf* to the agriculture sector. Cash *waqf* endowment can be channelled to buy farming equipment and machineries that would result to the empowerment of poor farmers and the less privileged. [59]Besides creating job opportunities, the link between cash *waqf* institutions and the agriculture sector also widens the accessibility of the less privileged to good quality food.[60]

CONCLUSION

This paper was written with the intention to explore the potential of cash *waqf* beyond religious purposes. As was practiced by the Prophet (S.A.W) and his Companions, it is proven that cash *waqf* has a strong prospect in developing the socio economic sector, especially in the area of poverty alleviation.

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[58] "Pitchin",Pitchin,accessed December 3,2013, http://www.pitchin.my/

[59] Yusuf Jelili Amuda, Nor Azizan Che Embi. "Alleviation of Poverty among OIC Countries through Sadaqat, Cash Waqf and Public Funding." *International Journal of Trade, Economics and Finance*, 2013: 403-408.,p.406

[60] Ibid.

The flexibility nature of cash *waqf*, enables more individual especially from the middle income group to contribute in the *waqf* institution. However, since the concept of cash waqf is fairly new in Malaysia, it is essential that the society is well informed of the potential and prospects of cash *waqf*.

Better understanding of cash *waqf* among the general public and improvement of *waqf* management are the essentials pre requisites of a successful implementation of cash *waqf* in Malaysia.

With the active participation from the public and the correct implementation by the authorities, cash *waqf* can indeed be the solution to the centuries-long problem of poverty.

In conclusion, with the support of the Malaysian government along with the private sector and general public, the institution of *waqf* in general and cash *waqf* in specific could develop and prosper to play important roles in the socio development policy implementation in the country.

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